

AMENDED IN ASSEMBLY MAY 26, 2006

AMENDED IN ASSEMBLY APRIL 5, 2006

AMENDED IN ASSEMBLY MARCH 20, 2006

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

## **ASSEMBLY BILL**

**No. 2021**

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**Introduced by Assembly Member Levine**

February 14, 2006

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An act to add Article 17 (commencing with Section 399.20) to Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code, relating to energy efficiency.

### LEGISLATIVE COUNSEL'S DIGEST

AB 2021, as amended, Levine. Public utilities: energy efficiency.

(1) The Warren-Alquist State Energy Resources Conservation and Development Act establishes the State Energy Resources Conservation and Development Commission (Energy Commission) and requires it to certify sufficient sites and related facilities that are required to provide a supply of electricity sufficient to accommodate projected demand for power statewide. Under that act, the Energy Commission also administers existing law with respect to energy conservation and renewable electricity generation sources.

Existing law authorizes the Public Utilities Commission to regulate public utilities, including electrical and gas corporations. The Public Utilities Act requires the commission to review and adopt a procurement plan for each electrical corporation. Under existing law, a person is guilty of a crime for failing to comply with provisions of the act.

Existing law requires the commission, in consultation with the Energy Commission, to identify all potentially achievable cost-effective electricity efficiency savings and to establish efficiency targets for an electrical corporation to achieve pursuant to its procurement plan. Existing law requires that an electrical corporation's procurement plan include a showing that the electrical corporation will first meet its unmet resource needs through all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible. Existing law requires the commission, in consultation with the Energy Commission, to identify all potentially achievable cost-effective natural gas efficiency savings and to establish efficiency targets for the gas corporation to achieve these targets and to require that a gas corporation first meet its unmet gas resource needs through all available natural gas efficiency and demand reduction resources that are cost effective, reliable, and feasible.

This bill would require the Energy Commission, on or before June 1, 2007, and every 3 years thereafter, in consultation with the commission *and local publicly owned electric utilities, in a public process that allows input from other stakeholders*, to identify all potentially achievable cost-effective electricity and natural gas efficiency savings and establish statewide annual targets for energy efficiency savings and demand reduction over 10 years. The bill would require the commission to use that information to meet its identification and target-setting requirements under existing law.

The bill would require the Energy Commission to investigate options and develop a plan to improve the energy efficiency of, and to decrease the peak electricity demand of, air-conditioners in the state. The bill would require the Energy Commission, on or before January 1, 2008, to prepare and submit to the Legislature a report on that plan.

(2) Existing law requires each local publicly owned electric utility, in procuring energy, to first acquire all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible. Existing law requires each local publicly owned electric utility to report annually to its customers and to the Energy Commission, its investment on energy efficiency and demand reduction programs.

This bill would require the Energy Commission, on or before June 1, 2007, and every 3 years thereafter, to identify all potentially achievable cost-effective electricity efficiency savings and establish

annual targets for energy efficiency savings and demand reduction over 10 years for each local publicly owned electric utility, as defined. The bill would authorize the Energy Commission to establish a single minimum requirement for all local publicly owned electric utilities. *The bill would require every local publicly owned electric utility to contract for independent evaluation, measurement, and verification of energy efficiency savings and demand reduction achieved by energy efficiency and demand reduction programs and to make the evaluation reports available to the public, upon request. The bill would require every local publicly owned electric utility to annually report to its customers and to the Energy Commission on its investment in energy efficiency and demand reduction programs.* The bill would require the Energy Commission to include in a report prepared under specified existing law, for each local publicly owned electric utility, a comparison of the utility's annual targets and the utility's actual energy efficiency savings and demand reduction. ~~The bill would require the local publicly owned electric utility, if the Energy Commission identifies a shortfall, and the local publicly owned electric utility does not remedy that shortfall within one year, to provide funds, as prescribed, to the Energy Commission for remedial investments in energy efficiency and demand reduction programs.~~ The bill, by establishing new requirements for local publicly owned electric utilities, would create a state-mandated local program, and because the violation of these requirements would be a crime under the act, the bill would additionally impose a state-mandated local program by creating new crimes.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that with regard to certain mandates no reimbursement is required by this act for a specified reason.

With regard to any other mandates, this bill would provide that, if the Commission on State Mandates determines that the bill contains costs so mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

SECTION 1. Article 17 (commencing with Section 399.20) is added to Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code, to read:

Article 17. California Energy Efficiency Procurement  
Portfolio Standard

399.20. The Legislature finds and declares all of the following:

(a) In order to ensure that prudent investments in energy efficiency continue to be made that produce cost-effective energy savings, reduce customer demand, reduce overall system costs, increase reliability, and increase public health and environmental benefits, it is the intent of the Legislature that all load serving entities procure all cost-effective energy efficiency measures so that the state can meet the goal of reducing total forecasted electrical consumption by 10 percent over the next 10 years.

(b) Expanding California's energy efficiency programs will promote lower energy bills, protect public health, improve environmental quality, stimulate sustainable economic development, create new employment opportunities, and reduce reliance on imported fuels.

(c) Expanding California's energy efficiency programs will ameliorate air quality problems throughout the state and will also reduce harmful greenhouse gas emissions.

(d) Energy efficiency programs provided under this article may include programs to improve the efficiency of existing transmission lines and programs to increase the efficiency of existing electricity generation facilities that do not include repowering of the generation facility.

399.21. As used in this article:

(a) "Energy Commission" means the State Energy Resources Conservation and Development Commission.

(b) "Local publicly owned electric utility" means a local publicly owned electric utility as defined in Section 9604.

399.22. On or before June 1, 2007, and every three years thereafter, the Energy Commission, in consultation with the commission *and local publicly owned electric utilities, in a*

1 *public process that allows input from other stakeholders*, shall  
2 identify all potentially achievable cost-effective electricity and  
3 natural gas efficiency savings and establish targets for statewide  
4 annual energy efficiency savings and demand reduction over 10  
5 years.

6 399.23. The commission shall use the information developed  
7 pursuant to Section 399.22 to meet its responsibilities pursuant to  
8 Sections 454.55 and 454.56.

9 399.24. (a) On or before June 1, 2007, and every three years  
10 thereafter, the Energy Commission shall use the information  
11 developed pursuant to Section 399.22 to identify all potentially  
12 achievable cost-effective electricity efficiency savings and shall  
13 establish annual targets for energy efficiency savings and  
14 demand reduction over 10 years to be achieved by each local  
15 publicly owned electric utility. The Energy Commission may  
16 establish a single minimum requirement, expressed as annual  
17 savings as a percent of sales, for all local publicly owned electric  
18 utilities.

19 (b) Local publicly owned electric utility investments in  
20 programs to achieve the energy efficiency and demand reduction  
21 targets shall be treated as procurement investments. Each local  
22 publicly owned electric utility may fund a portion of its  
23 investments in energy efficiency and demand reduction programs  
24 from the nonbypassable usage based charge established pursuant  
25 to Section 385. However, that portion shall not exceed the  
26 percentage of the funds each local publicly owned electric utility  
27 spent on those investments in 2005.

28 (c) Each local publicly owned electric utility shall contract for  
29 independent evaluation, measurement, and verification of the  
30 energy efficiency savings and demand reduction achieved by  
31 energy efficiency and demand reduction programs. These  
32 evaluation reports shall be available to the public, upon request.

33 (d) Each local publicly owned electric utility shall prepare and  
34 submit annually to its customers and to the Energy Commission  
35 a report on its investment in energy efficiency and demand  
36 reduction programs. The report shall contain a description of  
37 programs, expenditures, and expected and actual energy savings  
38 results.

39 (e) The Energy Commission shall include in each integrated  
40 energy policy report prepared pursuant to Section 25302 of the

1 Public Resources Code, for each local publicly owned electric  
2 utility, a comparison of the utility's annual target established in  
3 accordance with subdivision (a) and the utility's actual energy  
4 efficiency savings and demand reduction. ~~If the Energy~~  
5 ~~Commission identifies a shortfall, and the local publicly owned~~  
6 ~~electric utility does not remedy that shortfall within one year, the~~  
7 ~~Energy Commission shall require, and the local publicly owned~~  
8 ~~electric utility shall provide, funds to the Energy Commission in~~  
9 ~~an amount specified by the Energy Commission for remedial~~  
10 ~~investments in energy efficiency and demand reduction to be~~  
11 ~~procured through a competitive solicitation process, not to~~  
12 ~~exceed \$0.03 per kilowatthour, adjusted annually for inflation.~~

13 (f) Each local publicly owned utility shall implement the  
14 requirements of this section through a public process that  
15 provides a meaningful opportunity for public participation.

16 SEC. 2. (a) The Legislature finds and declares that the use of  
17 air-conditioners in a hot, dry climate drives peak electricity  
18 demand in much of this state.

19 (b) The State Energy Resources Conservation and  
20 Development Commission shall do both of the following:

21 (1) Investigate options and develop a plan to improve the  
22 energy efficiency of, and to decrease the peak electricity demand  
23 of, air-conditioners.

24 (2) On or before January 1, 2008, prepare and submit to the  
25 Legislature a report on the plan developed pursuant to  
26 subdivision (a), including, but not limited to, any changes in law  
27 the State Energy Resources Conservation and Development  
28 Commission recommends to implement the plan.

29 SEC. 3. No reimbursement is required by this act pursuant to  
30 Section 6 of Article XIII B of the California Constitution for  
31 certain costs that may be incurred by a local agency or school  
32 district because, in that regard, this act creates a new crime or  
33 infraction, eliminates a crime or infraction, or changes the  
34 penalty for a crime or infraction, within the meaning of Section  
35 17556 of the Government Code, or changes the definition of a  
36 crime within the meaning of Section 6 of Article XIII B of the  
37 California Constitution.

38 However, if the Commission on State Mandates determines  
39 that this act contains other costs mandated by the state,  
40 reimbursement to local agencies and school districts for those

1 costs shall be made pursuant to Part 7 (commencing with Section  
2 17500) of Division 4 of Title 2 of the Government Code.

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